

73 Reasons Costs Get Questioned and Possibly Disallowed:

1. Documentation has been lost
2. Documentation is not adequate
3. Similar costs incurred for like purposes are not treated consistently as direct or indirect across the organization.
4. Cost is not reasonable to do the work proposed by the recipient.
5. Cost is not of a type generally recognized as ordinary and necessary for the operation of the non-Federal entity.
6. Cost is not of a type generally recognized as ordinary and necessary for the proper and efficient performance of the Federal award.
7. Costs were not incurred using sound business practices.
8. There was a conflict of interest in the procurement.
9. The cost was incurred in violation of Federal, state, or local law.
10. Cost exceeds a limit put in place by the funder.
11. Cost is for something the funder does not allow the grant to be used for.
12. Cost required prior approval
13. Cost causes budget deviation limits to be exceeded.
14. Credits to the cost were received but not applied to the award.
15. The cost was incurred under a policy that wasn't consistent for all other federal awards and non-federal activities.
16. Federal funds were used as match on two different awards.
17. Charges were based on budget rather than actuals.
18. Cost is not allocable to the award (not charged in proportion to the benefit received by the award).
19. The base to which the indirect rate was applied was not calculated accurately.
20. Costs paid for beneficiaries who were not eligible to receive assistance under the program.
21. Cost was incurred for a different scope than that in the approved application.
22. Cost was incurred for an objective that was not in the approved grant application.
23. Cost was incurred related to a replacement of a key person named in the grant application, but prior approval was not obtained to change that key person.
24. Funds budgeted for participant support costs were utilized for something else without prior approval.
25. Costs were incurred before the beginning of the period of performance without a pre-award cost authorization.
26. Costs were incurred after the end of the period of performance with having received a no-cost extension.
27. Costs were incurred that violated the policy of the recipient.
28. Part of the award was sub-awarded without approval.
29. Part of the work of the award was contracted out without prior approval (does not apply to the acquisition of supplies, material, equipment or general support services).
30. The recipient did not provide cost sharing in accordance with the percentage of the project stipulated in the approved budget.
31. The recipient exceeded the amount of the award.
32. Cost was an abuse of funds
33. Cost was fraudulent.

34. The cost was wasteful.
35. Match was from Federal funds (usually not allowed).
36. Someone didn't understand the federal requirements.
37. Staff are not trained.
38. "That's the way we've always done it."
39. "That's' how the person before me did it."
40. Staff didn't read the federal requirements.
41. Staff didn't read organizational policy.
42. Approvers signed off without reviewing.
43. Risk wasn't appropriately assessed and/or managed, causing unallowable costs not be detected or prevented.
44. Policies/procedures/systems were not designed to prevent unallowable costs.
45. Management and/or staff do not see the importance of ensuring fiscal accountability and cost allowability.
46. Auditors or monitors disagree with your approach.
47. Generally Accepted Accounting Principles were not followed.
48. Staff are not paying an adequate level of attention.
49. Staff are overworked.
50. Human error.
51. Lack of skill, knowledge, or ability.
52. Overconfidence in ease of the task at hand.
53. Someone hid something for fear of repercussions.
54. Duties were not segregated appropriately, allowing mistakes or improper actions to occur.
55. Lack of accountability in the organization.
56. Someone feels the end justifies the means.
57. Equipment purchased with grant funds cannot be accounted for.
58. The "back-office" is not given adequate attention, for the sake of the clients/beneficiaries.
59. "As long as we helped our clients, what does it matter?"
60. Accounting system is not adequate to track the grant expenditures.
61. Organization does not adjust to the nuances required by having grant funding.
62. Organization supplanted other funds with federal funds.
63. Cost was for some other award or non-federal activity.
64. Cost violated a condition in the "Selected Items of Cost" in the Cost principles.
65. Cost violated the Federal agency's regulations.
66. Cost was not allowable under the Cost Principles.
67. Cost was not in line with the intent of the award.
68. Program income was earned but not utilized in accordance with the requirements of 2 CFR 200 and the award.
69. Prior verbal approval was obtained from the federal agency, but written approval was not obtained.
70. Someone took the easy way out.
71. Apathy.
72. Daydreaming.
73. Inexperienced staff.